

ANNUAL MULTI-FAMILY HOUSING PROJECT REVIEW

PART I - SERVICING OFFICE OPERATIONS ANALYSIS:

| | | |
|---------------|----------------|------------------------------|
| Project Name: | Borrower Name: | Borrower ID and Project Nbr: |
| | | |

Project Managed By:

| | |
|---|---|
| STATUS/ANALYSIS: (Indicate Yes, No or N/A) | FOLLOW-UP EFFORTS: (Check if in place) |
|---|---|

A. IS CURRENT RURAL DEVELOPMENT DOCUMENTATION AVAILABLE FOR REVIEW?

- | | |
|---|-------|
| 1. <input type="checkbox"/> Supervisory Visit | _____ |
| 2. <input type="checkbox"/> Physical Inspection of Property | _____ |
| 3. <input type="checkbox"/> Compliance Review | _____ |
| 4. <input type="checkbox"/> Management Plan | _____ |
| 5. <input type="checkbox"/> Management Agreement | _____ |
| 6. <input type="checkbox"/> Affirmative Fair Housing Marketing Plan | _____ |
| 7. <input type="checkbox"/> Lease | _____ |
| 8. <input type="checkbox"/> Occupancy Rules | _____ |
| 9. <input type="checkbox"/> Rent Change Request | _____ |
| 10. <input type="checkbox"/> Financing Statement | _____ |
| 11. <input type="checkbox"/> Energy Audit and Implementation Plan | _____ |

B. SUMMARY OF SUPERVISORY FINDINGS:

- | | |
|--|-------|
| 1. <input type="checkbox"/> Account current. Payment Status _____ . | _____ |
| 2. <input type="checkbox"/> Buildings adequately maintained. | _____ |
| 3. <input type="checkbox"/> Grounds adequately maintained. | _____ |
| 4. <input type="checkbox"/> Favorable Trends in regulatory compliance. | _____ |
| 5. <input type="checkbox"/> Vacancy and tenant turnover at normal levels. | _____ |
| 6. <input type="checkbox"/> Favorable Trends in Equal Opportunity Compliance. | _____ |
| 7. <input type="checkbox"/> Complying with tenant and payment report. | _____ |
| 8. <input type="checkbox"/> Complying with occupancy selection. | _____ |
| 9. <input type="checkbox"/> Proper tenant verification and certification. | _____ |
| 10. <input type="checkbox"/> No impairment of security or adding non-trade debt. | _____ |

C. CURRENT SERVICING EFFORTS IN PLACE (Check if applicable):

- | | |
|--|-------|
| 1. <input type="checkbox"/> Special Servicing Market Rate Rent (SMR). | _____ |
| 2. <input type="checkbox"/> Servicing Workout Plan. | _____ |
| 3. <input type="checkbox"/> Transfer. | _____ |
| 4. <input type="checkbox"/> Problem Case Report. | _____ |
| 5. <input type="checkbox"/> Delinquency Servicing Plan. | _____ |
| 6. <input type="checkbox"/> Replaced Management. | _____ |
| 7. <input type="checkbox"/> Change to Borrower Entity. | _____ |
| 8. <input type="checkbox"/> Quarterly or <input type="checkbox"/> Monthly Reports. | _____ |
| 9. <input type="checkbox"/> Recovering or <input type="checkbox"/> Recovered funds used for unauthorized purposes. | _____ |
| 10. <input type="checkbox"/> Other _____ . | _____ |

D. COMMENTS ON SUPERVISORY OR SERVICING CONCERNS:

PART II - SERVICING OFFICE FINANCIAL ANALYSIS:

STATUS/ANALYSIS:

(Indicate Yes, No or N/A)

FOLLOW-UP EFFORTS:

(Check if in place)

A. ARE CURRENT ANNUAL REPORTS AVAILABLE FOR REVIEW? (attach if yes):

- 1. _____ Form RD 1930-7 _____
- 2. _____ Utility Allowance Documentation _____

B. ANALYSIS OF CURRENT YEAR'S BUDGET AND FINANCIAL STATUS:

FROM "ACTUAL" COLUMN

- 1. _____ ENDING CASH BALANCE at an appropriate level. _____
- 2. _____ Owner's ROI earned and authorized for payment, or nonprofit. _____
- 3. _____ Management fees per management agreement. _____
- 4. _____ Actuals don't significantly deviate from proposed. _____

FROM "PROPOSED BUDGET" COLUMN

- 5. _____ Positive NET CASH (Line 30, Form RD 1930-7). _____
- 6. _____ Cash sources adequate. _____
- 7. _____ Cash uses appropriate. _____
- 8. _____ Management fees reasonable for duties performed. _____

(CHECK IF APPLICABLE:)

- 9. Budget returned to correct any of the above. _____
- 10. Budget returned for inadequate documentation. _____
- 11. Budget approved with rent change. _____

C. ARE PREVIOUS ANNUAL REPORTS AVAILABLE FOR REVIEW (attach if yes):

- 1. _____ Audit and Exhibit A-1 _____
- 2. _____ Form RD 1930-8 _____
- 3. _____ Annual Meeting Notes _____

D. ANALYSIS OF PREVIOUS YEAR'S BUDGET AND FINANCIAL STATUS:

- 1. _____ Tenant security deposits at appropriate level. _____
- 2. _____ Reserves at authorized level; above below. _____
- 3. _____ Real estate taxes and other assessments current. _____
- 4. _____ Project funds used for authorized purposes. If No, amount \$ _____ . _____
- 5. _____ Audit 1930-8 reviewed and approved. _____
- 6. _____ 1930-7 actuals and balances didn't significantly deviate from Audit or 1930-8 confirmed figures. _____

E. INSURANCE REQUIREMENTS:

- 1. _____ Hazard insurance adequate in amount and form. _____
- 2. _____ Liability insurance adequate in amount and form. _____
- 3. _____ Fidelity coverage adequate in amount and form. _____

F. COMMENTS ON BUDGET AND FINANCIAL CONCERNS:

G. RECOMMENDATIONS FOR FURTHER ACTIONS:

H. SERVICING OFFICE REVIEW COMPLETED BY:

DATE:

PART III - STATE OFFICE REVIEW AND ANALYSIS OF SERVICING

OFFICE FINDINGS: (provide comments when appropriate)

Project Name:

Date Findings Received:

CURRENT RURAL DEVELOPMENT DOCUMENTATION AVAILABLE FOR REVIEW:

SUPERVISORY FINDINGS:

CURRENT SERVICING EFFORTS IN PLACE:

COMMENTS ON SUPERVISORY OR SERVICING CONCERNS:

ANNUAL REPORTS AVAILABLE FOR REVIEW:

ANALYSIS OF CURRENT YEAR'S BUDGET AND FINANCIAL STATUS:

ANALYSIS OF PREVIOUS YEAR'S BUDGET AND FINANCIAL STATUS:

INSURANCE REQUIREMENTS:

COMMENTS ON BUDGET AND FINANCIAL CONCERNS:

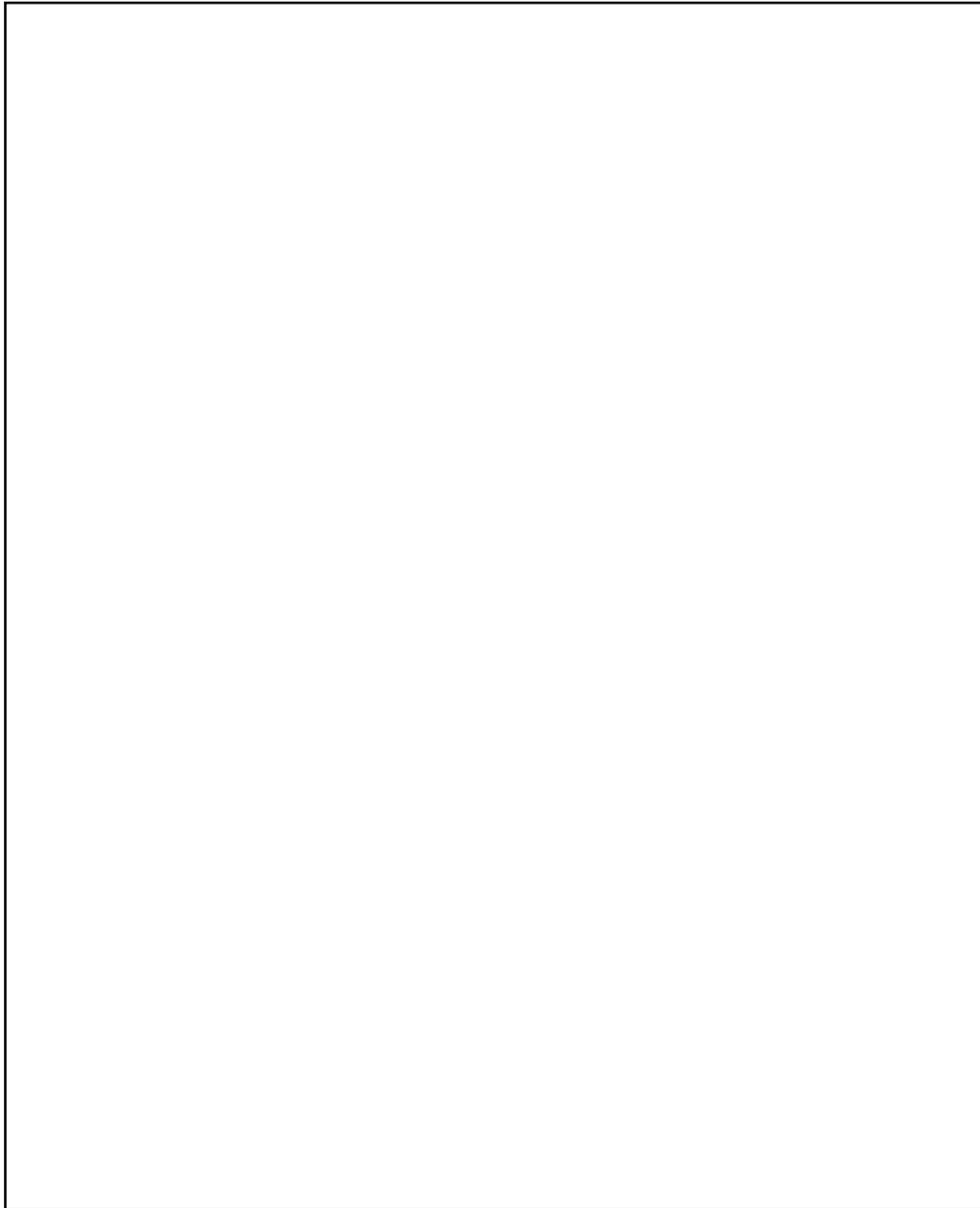
RECOMMENDATION FOR FURTHER ACTION:

OTHER STATE OFFICE COMMENTS:

STATE OFFICE RECOMMENDATIONS FOR FURTHER ACTION:

STATE OFFICE REVIEW COMPLETED BY:

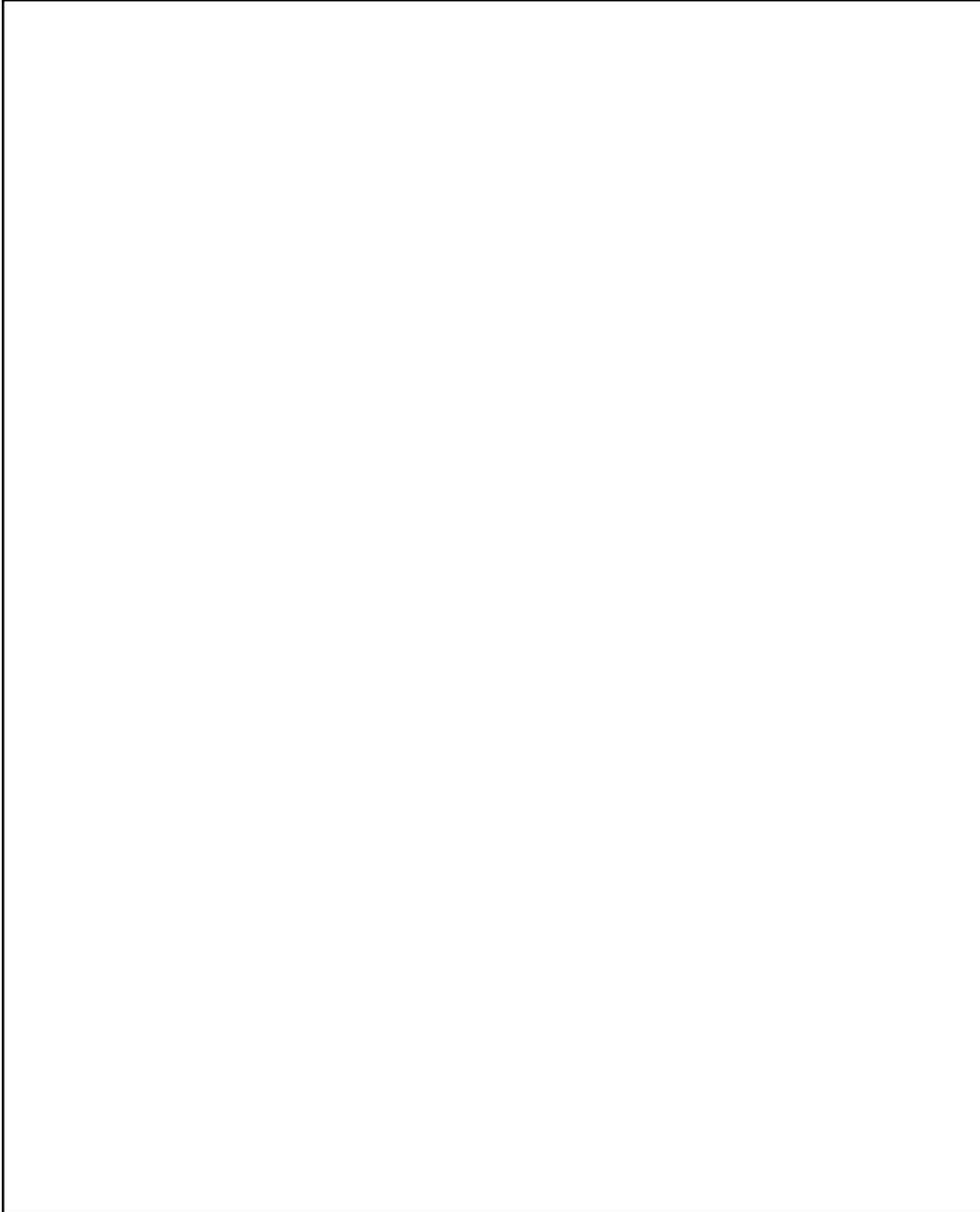
DATE:



Form RD 1930-10 is an annual review summary used internally to communicate Rural Developments assessment of a MFH project's operational status and plan for future supervisory actions. Servicing Offices complete prior to the start of a borrower's fiscal year. State Office review and return to Servicing Offices within 60 days of receipt.

- PROCEDURE FOR PREPARATION : RD Instruction 1930-C.
- PREPARED BY : Rural Development Servicing Office and Rural Development State Office.
- NUMBER OF COPIES : Original and one.
- SIGNATURES REQUIRED : Rural Development Servicing Office or State Office Officials performing the review.
- DISTRIBUTION OF COPIES : Original retained by Servicing Office and a copy sent to the State Office. State Office completes its review, retains the original and forwards a copy to the Servicing Office.

PAGE 2 OF FORM RD 1930-10

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PAGE 3 OF FORM RD 1930-10

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General Overview and Instructions for completing Form RD 1930-10, Multi Family Housing ANNUAL PROJECT REVIEW

1. Purpose and due date. The review guides provides a method to quickly communicate the status of Borrower compliance with key Rural Development requirements. Servicing Offices forward PARTS I and II to the State Office as soon as completed. The Servicing Office will attach copies of reports as directed by PARTS I and II. The State Office will complete PART III and return it to the Servicing Office within 60 days of receipt. (See Section 1930.123 of RD Instruction 1930-C.)
2. Recording responses. Servicing Offices enter a response in each of the numbered items on PART I and II, and provide comments or recommendations as appropriate. When the response on the STATUS/ANALYSIS column indicates “no” or a check mark, the potential for concern and further follow-up exists. Place a check mark on the FOLLOW-UP EFFORTS column to indicate that corrective follow-up actions have been initiated, but not yet resolved. FOLLOW-UP EFFORTS may also be checked when the STATUS/ANALYSIS column indicates “yes.” For example, if the Supervisory Visit Report is completed, but there is ongoing follow-up on one or more findings on the report.
3. Servicing Office review upon receipt of annual review documents. The Servicing Office should promptly review the borrower’s annual financial report upon its submission and any other related documentation already on file. This initial review should determine the status of reports and documentation needed to perform the annual review. The annual review should proceed, even if some items are missing or incomplete. Any needed reports and documentation that have not been received, is incomplete or is not on file, will be noted for follow-up action.

PART I — Servicing Office Operations Analysis.

Project Identification.

- Project name. Insert the project name.
- Borrower name. Insert the name appearing on promissory note.
- Borrower ID and Project Number. Insert the AMAS state, county, borrower identification number, and project number.
- Project Managed By. Insert the name of the management company or identity of interest borrower manager.

A. IS CURRENT RURAL DEVELOPMENT DOCUMENTATION AVAILABLE FOR REVIEW? See Form RD 1905-6 "Management System Card - Multifamily Housing" and Servicing Office records. Insert yes if the item listed is not out of date, no if the item listed has not been completed, is out of date, or is overdue, and insert N/A for not applicable (i.e., N/A if no rent change request is under consideration). Follow-up each item as warranted.

1. Supervisory Visit.
2. Physical Inspection of Property.
3. Compliance Review.
4. Management Plan. See Exhibit B-1 to determine if follow-up is needed. Also see paragraph VA of Exhibit B of RD Instruction 1930-C.
5. Management Agreement.
6. Affirmative Fair Housing Marketing Plan.
7. Lease. See paragraph VIII of Exhibit B of RD Instruction 1930-C.
8. Occupancy Rules.
9. Rent Change Request.
10. Financing Statement.
11. Energy Audit and Implementation Plan.

B. SUMMARY OF SUPERVISORY FINDINGS. Insert yes if in compliance or only minor deficiencies based on current knowledge or knowledge known at the time the last review was completed, assuming the review is still current. Insert no if concerns are noted or corrective actions have been initiated (i.e., letter of concern, etc.). Insert N/A if unknown, or not applicable. If unknown due to a need to conduct a review which is beyond the required time frames set out in regulations, make a brief note to that effect in COMMENTS and reflect the scheduled review date if known.

1. Account current. See AMAS Screen M1F1 or Servicing Office records.
2. Building adequately maintained. See the supervisory visit reports and paragraph X of Exhibit B of RD Instruction 1930-C.

3. Grounds adequately maintained. See the supervisory visit report.
 4. Regulatory trends in regulatory compliance. See the supervisory visit report and Form RD 1905-6, "Management System Card - Multi-family Housing." Reflect general observations. If generally in compliance, reflect yes. If improvement in an area was requested and improvement is being noted, reflect yes. If improvement in an area of significant importance was requested and satisfactory progress is not being shown, reflect no.
 5. Vacancy and tenant turnover. See the Forms Manual Insert (FMI) to Form RD 1930-7. Review Form RD 1930-7, MTFS vacancy reports, or office records.
 6. Trends in equal opportunity compliance. See paragraph VI C of Exhibit B of RD Instruction 1930-C and Section 1901.204 (c) (3) of RD Instruction 1901-E. See the Compliance Review and the Affirmative Fair Housing Marketing Plan. Generally the minority concentration in the project should be reflective of the concentration in the market area. Reflect no if the staff requested improvement in this area and satisfactory progress is not being shown.
 7. Complying with tenant and payment reporting. See RD Instruction 1951-K and paragraphs VI and VII of Exhibit B of RD Instruction 1930-C.
 8. Complying with occupancy selection. See Exhibit B of RD Instruction 1951-K and paragraph VI of Exhibit B of RD Instruction 1930-C. Also see the visit checklist (Exhibit G to RD Instruction 1930-C) and supervisory visit preparation worksheet (Exhibit F to RD Instruction 1930-C.)
 9. Proper tenant verification and certification. See RD Instruction 1951-K and paragraphs VII of Exhibit B of RD Instruction 1930-C.
 10. No impairing of security or adding non-trade debt. See paragraph XII C of Exhibit B of RD Instruction 1930-C and Sections 1965.77, 1965.79, and 1965.83 of RD Instruction 1965-B regarding liens and debts.
- C. CURRENT SERVICING EFFORTS IN PLACE. Check one or more if applicable to current servicing status, otherwise leave blank.
1. SMR. See the special servicing market rate rent regulations at paragraph IX of Exhibit C of RD Instruction 1930-C.
 2. Special Servicing Workout Budget. See Exhibit B to RD Instruction 1965-B.

3. Transfer. See Section 1965.65 of RD Instruction 1965-B.
4. Problem Case Report. See Exhibit A to RD Instruction 1955-A.
5. Delinquency Servicing Plan. See Section 1965.85 of RD Instruction 1965-B.
6. Replaced Management. Check if management agent, or borrower identity interest management, is being changed, whether initiated by the borrower or Rural Development. Also see paragraph III F of Exhibit B of RD Instruction 1930-C and paragraph VII B 4 of Exhibit B-3 of RD Instruction 1930-C.
7. Change to Borrower Entity. See Section 1965.63 of RD Instruction 1965-B.
8. Quarterly or Monthly Reports. See paragraph XIII C 2 c of Exhibit B of RD Instruction 1930-C.
9. Recovering or recovered funds used for unauthorized purposes. Check if you have recovered or are currently pursuing the recovery of project funds used for unauthorized purposes. The amount being pursued should be entered on Line D4 of PART II of this form. Describe below any OIG involvement with these efforts.
10. Other. Check and specify servicing actions not listed above, such as reamortizations, prepayment incentive offers, subordinations, consent to junior liens, etc.

D. COMMENTS ON SUPERVISORY OR SERVICING CONCERNS. Reflect a brief summary statement when appropriate. If N/A was recorded due to an overdue review, note and reflect the projected review date if possible.

PART II — Servicing Office Financial Analysis.

A. ARE CURRENT ANNUAL REPORTS AVAILABLE FOR REVIEW? Check as appropriate and attach a copy as needed in accordance with Exhibit B-7 of RD Instruction 1930-C. Reflect yes if the report was received, even if some corrective follow-up is warranted. However, if the current report is so incomplete as to be considered unacceptable for review or is overdue reflect no. Reflect N/A if not applicable.

1. Form RD 1930-7. Ensure the report is complete and initiate follow-up when warranted. The reserve section of the report should be properly completed.
2. Utility allowance documentation. See Section 1930.122 (b) (2) (iii) of RD Instruction 1930-C and Exhibit A-6 of RD Instruction 1944-E. Follow-up as warranted to ensure the borrower is evaluating utility allowances for needed changes and that historical data accompanies any requested change.

B. ANALYSIS OF CURRENT YEAR'S BUDGET AND FINANCIAL STATUS. Insert yes when warranted (substantially meets the provisions listed.)

1. Ending cash balance at an appropriate level. See that the cash balance on Form RD 1930-7 (line 33) is positive and at an appropriate level. See the FMI to Form RD 1930-7. Generally appropriate levels should be above a dollar floor of at least 5-1/2 days of operating cash on hand at year end and a dollar ceiling that does not exceed 10 percent of the projected operation and maintenance expenses. To compute the number of days of operating cash on hand proceed per the following example:

| | |
|----------------------------------|----------|
| Total cash needs: | \$38,427 |
| Number of calendar days in year: | 365 |
| Unrestricted cash on hand: | \$ 4,225 |

Step 1 $\$38,427 / 365 = \105 operating expenses per day.

Step 2 $\$ 4,225 / 105 = 40$ days of operating cash.

2. Owner return on investment (ROI) earned and authorized for payment. See paragraph XII B of Exhibit B of RD Instruction 1930-C. If a Special Market Rent budget is involved also see paragraph X of Exhibit C of RD Instruction 1930-C. If this project is a non-profit, profit type code check the box only.

3. Management fees per management agreement. See the loan agreement or loan resolution (See especially paragraph VII of Exhibit B-3 of RD Instruction 1930-C.) Also see paragraph V E of Exhibit B of RD Instruction 1930-C.

4. Actuals don't significantly deviate from proposed budget. Actual year figures should generally not exceed projected figures. If actuals do exceed the proposed budget closer review is warranted and explanations may be needed. This is especially true if significant deviations (i.e., 5 percent or more) are detected on a line item or subtotal area on the budget.

5. Positive net cash. See that the net cash balance on Form RD 1930-7 (line 30), is positive. See the FMI to Form RD 1930-7.

6. Cash sources adequate. See the FMI to Form RD 1930-7. The primary concern is that the sources of cash are stable and sufficient to cover cash uses with a sufficient cushion to ensure the project is able to meet normal fluctuations. Reflect no when appropriate, such as when vacancy rates are projected to be much lower than recent history suggests is reasonable, without any further justifying documentation. If sources of cash are from loans to the project, ensure they comply with Agency regulations. Also see paragraph XII C of Exhibit B of RD Instruction 1930-C.

7. Cash uses appropriate. See the FMI to Form RD 1930-7. The primary concern is that the users of cash are reasonable when compared to other similar projects.

8. Management fees reasonable for duties performed. See paragraphs V E and F of Exhibit B of RD Instruction 1930-C and the Management Agreement. Compare against the duties and fees evidenced at other projects.

9. (CHECK IF APPLICABLE) Budget returned for corrections. Check if the budget is returned for any of the items listed in items 4 through 11. When this item is checked it will generally indicate a significant concern was noted which required being returned for significant revisions or explanations (i.e., could not be accomplished by a telephone clarification or a similar quick technique.)

10. Budget returned for inadequate documentation. Check if the budget is returned because it was incomplete, or lacked adequate documentation. If the budget was complete and adequately documented but could not be approved without revisions due to a violation of policy or similar reason, check item 12 instead of item 13.

11. Budget approved. Check if the budget was approved and check where appropriate if the approval involved a rent change request approved in full or in part. Leave blank if the budget was submitted but not yet acted on or if the budget was rejected or withdrawn.

C. ARE PREVIOUS YEAR'S REPORTS AVAILABLE FOR REVIEW? Check as appropriate and attach a copy as needed in accordance with Exhibit B-7 of RD Instruction 1930-C. Reflect yes if the report was received, even if some corrective follow-up is warranted. However, if the current report is so incomplete as to be considered unacceptable for review or is overdue reflect no. Reflect N/A if not applicable.

1. Audit and Exhibit A-1. Follow-up on reporting deficiencies revealed by Exhibit A-1 of RD Instruction 1930-C, if security deposit liabilities exceed security deposit assets, accounts receivable or accounts payable are building, non-trade debt is increasing, etc. Also see Section 1930.122 (b) (4) of RD Instruction 1930-C. The audit must meet generally accepted government auditing standards (GAGAS).

Form RD 1930-8. Follow-up is warranted if security deposit liabilities exceed security deposit assets, accounts receivable or accounts payable are building, non-trade debt is increasing, etc.

2. Annual Meeting notes. Follow-up as warranted.

D. ANALYSIS OF PREVIOUS YEAR'S BUDGET AND FINANCIAL STATUS. Insert yes when warranted.

1. Tenant security deposits at appropriate level. See paragraphs VIII H and XIII B of Exhibit B of RD Instruction 1930-C. Security deposit assets should equal or exceed security deposit liabilities.

2. Reserves at authorized levels. See the loan agreement or resolution and paragraph XIII B of RD Instruction 1930-C.

3. Real estate taxes and other assessments current. See paragraph XV C of Exhibit B of RD Instruction 1930-C.

4. Project funds used for authorized purposes. Reflect no if project funds are used for unauthorized purposes such as paying income taxes for individual owners of entity borrowers, paying syndication costs, paying non-trade debt incurred without the consent of the agency or incurred for non-project related purposes, purchasing major equipment which is not being used to support the project, etc. Enter the amount of unauthorized funds being pursued or recovered.

5. Audit or 1930-8 reviewed and approved. Indicate if the previous years audit was reviewed per Exhibit A-1 of RD Instruction 1930-C and found to be acceptable, or if the previous years Form RD 1930-8 was reviewed, found to be acceptable, and approved.

6. 1930-7 actuals and balances didn't significantly deviate from audit or 1930-8 confirmed figures. Indicate if the previous years Form RD 1930-7 "actuals" provided at the end of the borrower's fiscal year, were reasonably accurate when compared to the "final" actuals provided by the borrowers with either their audit or Form RD 1930-8 submission.

E. INSURANCE REQUIREMENTS.

1. Hazard insurance adequate in amount and form. See paragraph XV B of Exhibit B of RD Instruction 1930-C and RD Instructions 426.1 and 426.2.

2. Liability insurance adequate in amount and form. See paragraph XV B of Exhibit B of RD Instruction 1930-C and RD Instruction 426.1.

3. Fidelity coverage adequate in amount and form. See paragraph XV A of Exhibit B of RD Instruction 1930-C.

F. COMMENTS ON BUDGET AND FINANCIAL CONCERNS. Record comments on areas of concerns. Comment on items marked no and on any other issues needed such as:

1. Reasons for significant deviation from budget. For example changes of 5 percent between actual budget and projected budget on subtotal areas warrant closer review and explanation.

2. Reserves withdrawn for unauthorized purposes. See paragraphs XII B and XIII B C of Exhibit B of RD Instruction 1930-C.

3. Not keeping required accounts. See paragraph XIII B 2 of Exhibit B to RD Instruction 1930-C.

4. Not getting prior consent on advances of funds. See paragraph XII C of Exhibit B of RD Instruction 1930-C.

5. Utility allowances not at authorized levels or lacking supportive data. See Section 1930.122 (b) (2) (iii) of RD Instruction 1930-C and Exhibit A-6 of RD Instruction 1944-E.

6. Funds not kept in federally insured institutions. See paragraph XIII B 1 a of RD Instruction 1930-C.

7. Failure to provide GAGAS audits. See Section 1930.122 (b) (4) of RD Instruction 1930-C.

8. Changes in those entities owning over 10 percent interest in the project, or in key management not being reported as required.

G. RECOMMENDATIONS FOR FURTHER ACTION. Reflect recommendations for further actions when warranted. For example, documentation may contain statements such as withhold approval pending receipt of requested material, schedule follow-up inspection within the month, etc.

H. SERVICING OFFICE REVIEW COMPLETED BY. Record the name(s) and title(s) of the reviewer(s) and the date the review was completed.

PART III — State Office Review and Analysis of Servicing Office Findings. The State Office staff should review material submitted with the Rural Development Servicing Office Annual MFH Project Review Guide and provide comments on any concerns or servicing actions warranting attention. The review should be looking for overall completeness of Servicing Office reviews, the quality of those reviews, and whether any problems are frequently occurring which may warrant special servicing attention or training. See Section 1930.123 (g) and 1930.117 (b) and (c) of RD Instruction 1930-C. The State Office official completing the review will sign and date review.